

ICC Docket No. 06-0800
Auction Manager's Response to Date 4/25/07 Reporter CB
Staff's (RP) Data Requests 1.01 - 1.04
Dated: April 13, 2007

REQUEST NO. RP 1.02:

Does Dr. LaCasse support the part 1 application requirement that applicants provide credit rating documentation? Please provide the rationale for the response, including a discussion of the positive and negative aspects of the requirement.

RESPONSE:

To support the credit rating entered in their Part 1 Application Form, applicants in the 2006 Illinois Auction were required to provide a document, e.g., a print-out from the rating agency's web site, showing the name of the rating agency, the type of rating, and the rating of the entity.

The positive aspects of this requirement are:

- The requirement increases the accuracy with which applicants fill out the Part 1 Application Form. Applicants, in obtaining the print-outs from the rating agencies, naturally verify the credit ratings that they enter in the Part 1 Application.
- The requirement is simple and does not require specialized Staff. Printing out a page from a web site requires little specialized knowledge or skill.

The negative aspects of this requirement are that:

- The requirement is not necessary for the credit and application team to perform its evaluation. The credit and application team has access to the latest credit ratings information for all applicants and can base its assessment on the information that it gathers itself.
- The requirement leads to additional deficiencies in the application process that would not otherwise occur. The Auction Manager team assesses a deficiency when information provided is incomplete or when the information provided presents an inconsistency. Requiring credit rating documentation means that applicants will be assessed a deficiency when a) the documentation is missing for one or more credit agency; b) the documentation is included but credit ratings are not entered in the Part 1 Application Form for one or more credit agencies; or c) the ratings provided in the documentation are not consistent with the ratings entered in the Part 1 Application Form.

Any requirement of the Part 1 Application that is not strictly necessary for the evaluation of the credit and application team, for ensuring that the applicant can fulfill the requirements of the Supplier Forward Contract, or for ensuring that the applicant will abide by the Auction Rules and the confidentiality undertakings of the Auction must be evaluated with caution. Ultimately, if a requirement of the Part 1 Application leads to a deficiency that is not cured, this will lead to the exclusion of a supplier from the Auction. Dr. LaCasse has managed auctions both where credit rating documentation was required to support the credit ratings entered in the application and auctions where credit rating documentation was not required. Dr. LaCasse believes that both

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positions are reasonable. The requirement for credit rating documentation is reasonable as it requires little time from the applicant, does not require specialized personnel, and serves to increase the accuracy of information otherwise provided in the Application Form.

Witness who can testify subject to appropriate, in-scope cross examination: Chantale LaCasse